

FISCAL NOTE
SB 2677 - HB 3065

February 14, 2004

SUMMARY OF BILL: Provides restrictions on the long distance sale of tobacco products as follows:

- dealers would be responsible for ensuring the legal age of purchasers and submitting monthly sales reports to the Department of Revenue identifying purchasers and information regarding sales. Dealers would also be responsible for collecting any taxes applicable to the sale.
- provides criminal penalties for individuals who violate the provisions of the legislation. The first violation would result in a penalty of five times the value of the cigarettes or \$1,000 whichever is greater. The second violation would result in a fine of five times the value of the cigarettes or \$5,000 whichever is greater. A knowing violation would be a Class D felony, punishable by a fine equal to five times the value of the cigarettes or \$10,000 whichever is greater and/or five years imprisonment. Any cigarettes involved in a violation of this legislation would be subject to seizure and destruction. Any property on the premises of a violator, whose intent was to defraud the state, would be forfeited.
- requires delivery services to have an adult of legal minimum purchasing age accept delivery for cigarettes. The acceptor, if such individual appears to be under 27 years of age, must provide a valid government identification bearing a photograph to accept such delivery.

ESTIMATED FISCAL IMPACT:

Increase State Revenues - Exceeds \$100,000

Increase State Expenditures - \$128,000 One-Time

\$260,086 Recurring

\$3,300/Incarceration*

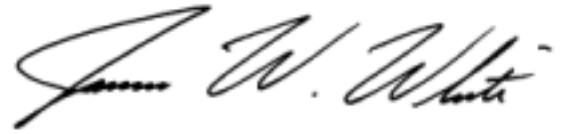
Estimate assumes:

- The Department of Revenue will need five new positions to comply with the enforcement of this legislation, which is reflected in the increased one time and recurring state expenditures.
- The Department of Revenue is able to enforce the tax requirements of this legislation resulting in increased tax collections, due to the additional personnel estimated to be required for the provisions of the bill, resulting in an increase in state revenues estimated to exceed \$100,000.
- Additional revenue may be realized by the state through the seizure and forfeiture of property involved in intentionally fraudulent violations of this legislation.
- Delivery services would continue to deliver tobacco products despite the regulations imposed upon them in this legislation.
- Any increase in costs to the court system could be absorbed using existing resources.
- There would be one Class D felony conviction every three years as a result of this legislation.

**Section 9-4-210, TCA, requires that: For any law enacted after July 1, 1986, which results in a net increase in periods of imprisonment in state facilities, there shall be appropriated from recurring revenues the estimated operating cost of such law. The amount appropriated for operating cost, in current dollars, shall be based upon the highest cost of the next 10 years, beginning with the year the additional sentence to be served impacts the correctional facilities population.*

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is written in a cursive style with a large, stylized "J" and "W".

James W. White, Executive Director